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RUEHBJ/AMEMBASSY BEIJING 0247
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SENSITIVE
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SUBJECT: KAZAKHSTAN PURSUES ECONOMIC DIVERSIFICATION IN
MANGYSTAU

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: On November 6, DCM and poloff met with a newly created national corporation to discuss business promotion and public-private partnerships in Kazakhstan, Mangystau oblast. The Chairman of the Mangystau and Atyrau branch, SEC Caspiy, described current projects and opportunities for U.S. investment. Regional officials acknowledged that problems with poaching and over-fishing contributed to a decline in Caspian Sea sturgeon, and asked for U.S. investments in fisheries and oil services. END SUMMARY.

A LOCOMOTIVE FOR BUSINESS?

¶2. (SBU) Last year, under direct guidance from President Nazarbayev, the government of Kazakhstan created a national company with seven branch companies distributed throughout Kazakhstan, 14 oblasts and two administrative districts. This social entrepreneurial corporation (SEC) was tasked to promote business by setting up joint ventures and reinvesting 50 percent of the profits for social purposes. SEC Caspiy, which promotes business in Atyrau and Mangystau, is chaired by the highly influential former Akim (governor) of Mangystau, Bolat Palymbetov.

¶3. (SBU) Palymbetov outlined the 10 projects SEC Caspiy is currently implementing. The company's offices, located one block from the Nur Otan and Mangystau Akimat buildings, were ultra-modern and the staff efficient. According to Palymbetov, SEC Caspiy should become a locomotive for business, creating public-private partnerships and saving entrepreneurs the time and hassle of navigating local bureaucracy to acquire land and permits. Palymbetov pointed out that none of the seven SEC branches fall under the authority of any one regional governor to assure their independence from pressure by local governments.

SUPPORTING ALL BUSINESSES GREAT AND SMALL

¶4. (SBU) Palymbetov acknowledged that the SEC branch companies tend to reflect the economic characteristics of

their regions, but stressed SEC Caspiy supports Prime Minister Masimov,s policy of economic diversification. Palymbetov told DCM and poloff that current projects in Atyrau include a \$60 million German gypsum mining project, a national sulfur storage facility, a sturgeon farm, a salt plant, and a cement plant. In Mangystau, Palymbetov described projects including the establishment of a technical support base for a dredging fleet, a flour-milling plant, a factory for biological products, and an institute of oil-field chemistry.

FORMER AKIM OFFERS TAX BREAKS FOR U.S. INVESTORS

¶5. (SBU) Palymbetov emphasized SEC Caspiy could offer tax-exemptions and other advantages to &get a company on its feet quickly.⁸ Palymbetov requested U.S. assistance in encouraging submission of any proposals, highlighting opportunities for investment in oil services, construction, and sturgeon farming.

WHERE HAVE ALL THE STURGEON GONE?

¶6. (SBU) Mangystau,s most famous local product is sturgeon and black caviar. However, interlocutors from Caspiy Meruerty and MAEC-Kazatomprom described problems with overfishing, and statistics show a 40% decline in the sturgeon population in the Caspian Sea over the last 15 years. More than 300 cases of poaching occurred in 2007, and over 10 tons of illegally caught sturgeon were confiscated. National quotas have been imposed on sturgeon fishing and black caviar exports. A local Kazakhstani official told poloff that the state had instituted a system of regulating

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stores selling &government-approved⁸ sturgeon. Visitors to Aktau who attempt to bring back packages of sturgeon or caviar without proof of purchase from government-approved stores risk confiscation of the product at the airport,s internal customs check-points.

¶7. (SBU) Poloff did not see any evidence of advertisements for recreational sturgeon fishing in Aktau, and most local shops and restaurants were not advertising sturgeon, although the Marriott Renaissance hotel was serving sturgeon kebabs for \$20. As Palymbetov stated, the price of Caspian Sea sturgeon caviar remains high; in Astana, 116 grams sells for \$167. If a sturgeon farming enterprise were successful, it could be highly profitable. In the meantime, poaching and overfishing of wild sturgeon in the Caspian are taking their toll on fish stocks. One beluga sturgeon in a Caspian Sea museum weighed 1.8 tons, but today most sturgeon weigh only 150 kilograms.

SEC TO ADMINISTER TAX-FREE ZONES

¶8. (SBU) Palymbetov also told the DCM and poloff that he convinced President Nazarbayev to create a special economic zone (SEZ) for Aktau port. Palymbetov noted that subsequent expansions of the SEZ proved the idea had merit, but criticized the slow pace of SEZ development under the current Akimat. (COMMENT: The SEZ already hosts seven enterprises, with four more under consideration, but Palymbetov pointed out that in one year, he had set up 10 enterprises. END COMMENT.) He stated that a pending amendment would charge the seven SEC companies to administer all tax-free zones.

PALYMBETOV HAS CLOSE TIES TO THE UNITED STATES

¶9. (SBU) COMMENT: The influential Palymbetov, Mangystau Akim from 2002-2006, emphasized his close relations with the United States, mentioning that in 1994 he had visited the United States on a very productive USAID sponsored-trip. He also thanked former Ambassador Ordway for his last visit, and noted they had a very long and productive discussion. Palymbetov also stated he had spent the last year studying at Boulder University in Denver, and that his son, a graduate of

Holden University, will pursue a Master,s degree at Columbia. Based on his comments about &persuading8 Nazarbayev to accept free-trade zones and his critiques of the current Akim, Palymbetov clearly sees himself as influential, and intends to remain a powerful figure in Mangystau business and politics, but also appears to have a very positive attitude towards the United States. END COMMENT.
HOAGLAND